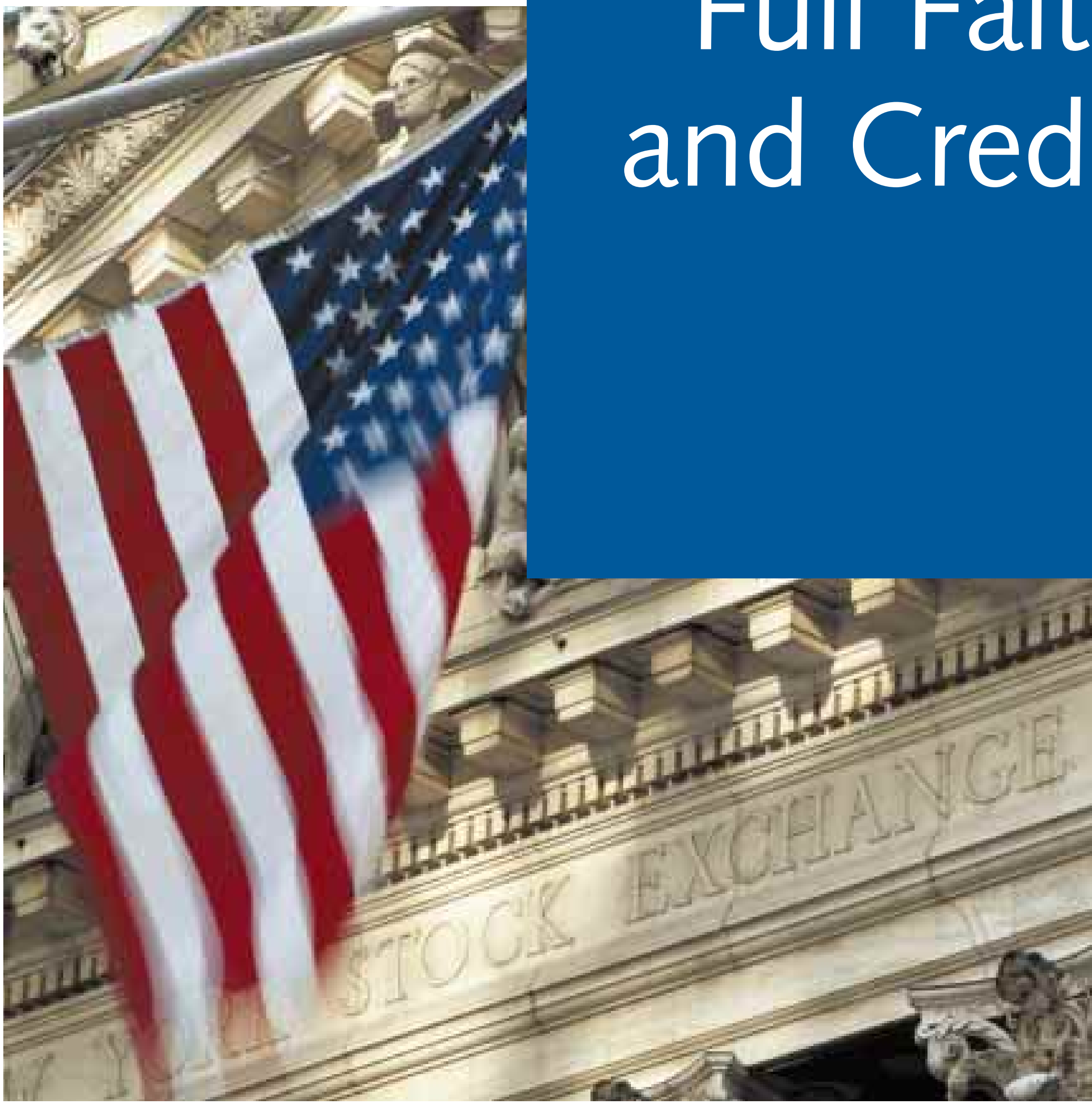
Full Faith and Credit



Annual Report 2002

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SECRETARY'S MESSAGE

Ginnie Mae: Supporting the Expansion of Affordable Housing in America

Expanding affordable housing opportunities to more families is at the heart of HUD's mission. In the 34 years since its creation, Ginnie Mae has left its mark on the American landscape and played a critically important role in helping low- to moderate-income families know the financial security of homeownership.

Ginnie Mae reached an important milestone in Fiscal Year 2002: the housing industry giant surpassed the $2 trillion mark in mortgage-backed securities it has guaranteed. Ginnie Mae securities are the *only* mortgage-backed securities to carry the "full faith and credit" guarantee of the United States Government.

In recent decades our world has faced uncertainty and change. Yet, Ginnie Mae has consistently provided its investors with reliable performance and helped 28 million families have a place to call home.

Mel Martinez

Secretary

The Honorable Mel Martinez
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Mr. Secretary:

I am pleased to present to you the Annual Report and the audited financial statements of the Government National Mortgage Association (Ginnie Mae) for the fiscal year ended September 30, 2002. Ginnie Mae, once again, received an unqualified opinion from its independent auditors, KPMG LLP, with no findings of material weaknesses or reportable conditions. Ginnie Mae continues to be a strong and integral part of the Department.

During Fiscal Year 2002, Ginnie Mae surpassed a total of $2 trillion in original issues of mortgage-backed securities guaranteed since 1970. Reaching this milestone means that more than 28.4 million families have had access to affordable housing or lower mortgage costs since Ginnie Mae's inception. We are quite proud of our continuing accomplishments and our important role in helping to meet HUD's commitment to support affordable homeownership for low- and moderate-income families in America. Our role in the secondary mortgage market provides an important public benefit to Americans fulfilling their dream of homeownership, regardless of economic conditions.

Ginnie Mae's excellent performance over many years is a fundamental indicator of our ability to manage risk and increase stability in the marketplace. Ginnie Mae's mortgage-backed securities program guaranteed the issuance of $174.9 billion in mortgage-backed securities last year, thereby providing capital for the purchase or refinance of approximately 1.5 million homes, including multifamily units. Our strong financial performance continued in Fiscal Year 2002, even with the historically high level of refinancings. Due to the record number of refinancings, our mortgage-backed securities outstanding totaled $568.4 billion at September 30, 2002, six percent lower as compared to $604.3 billion at September 30, 2001. This led to a slight decrease in guarantee fees collected from our portfolio. The decline in interest rates also resulted in a seven percent decrease in U.S. Government Securities interest income, the single largest contributor to the decline in income during Fiscal Year 2002. Ginnie Mae's net income was $794.3 million in Fiscal Year 2002, a one percent decrease from the record $805.3 million in Fiscal Year 2001.

Ginnie Mae's commitment to our issuers, the marketplace, and the community was evident in our response to the events of September 11, 2001, and the subsequent actions taken by Ginnie Mae.

There were no market disruptions related to Ginnie Mae Securities including the timely pass through of funds to investors as a result of the terrorist attacks. Within days of the attacks, we were working to provide assistance: reimbursement to issuers for interest rate write-downs in accordance with the Soldiers' and Sailors' Civil Relief Act (SSCRA), and loan buyouts after 90 days of forbearance for individuals and military personnel affected by the tragedy. Ginnie Mae implemented its authority to reimburse issuers for interest shortfalls on loans made to persons who later enter military service, and to reservists and members of the National Guard called to active duty.

Ginnie Mae also continued to fulfill its mandate to promote access to mortgage credit throughout the nation by increasing the liquidity of investment capital available to the residential mortgage finance market. This included:

- The expanded use of incentives through the Targeted Lending Initiative (TLI) which resulted in an increase in lending in targeted central city and rural areas;
- Record levels of Real Estate Mortgage Investment Conduit (REMIC) production, $75.1 billion, a 28 percent increase over the previous record year of 2001, resulting in increased liquidity for the Ginnie Mae MBS;
- Increased efficiency in product delivery through streamlining and use of technology resulting in lowered costs and greater flexibility in the use of the programs of Ginnie Mae.

These initiatives have resulted in substantial savings to the mortgage market. Ginnie Mae's strong relationships with the private sector allow us to complement private market operations, utilizing the full faith and credit guaranty of the United States Government where needed.

The enclosed Annual Report provides more detail on our important programs and initiatives, our performance in Fiscal Year 2002, and the stewardship of our funds and other resources. Ginnie Mae's management initiatives include a strengthened emphasis on performance and accountability through a commitment to the Government Performance and Results Act (GPRA). We are proud of our continued accomplishments and of the department's historic role in helping to make the American dream of homeownership a reality for millions of low- and moderate-income American families.

Sincerely,

Ronald A. Rosenfeld
President
Ginnie Mae

I.

Overview of Ginnie Mae®

The Government National Mortgage Association (Ginnie Mae), through *its full faith and credit of the United States Government* guaranty, has helped to finance homeownership opportunities for 28.4 million American families. Ginnie Mae guarantees the timely payment of principal and interest on securities issued by private institutions and backed by pools of federally-insured or guaranteed mortgage loans. In Fiscal Year 2002, Ginnie Mae securitized 87.5 percent of all eligible loans insured or guaranteed by the Federal Housing Administration (FHA), and the Department of Veterans Affairs (VA). Also, Ginnie Mae securitized eligible loans insured or guaranteed by the Rural Housing Service (RHS) and the Department of Housing and Urban Development (HUD) Office of Public and Indian Housing (PIH). Ginnie Mae receives no funds from general tax revenues. Operations are financed by a variety of fees, including Guaranty Fees, New Issuer Fees, Commitment Fees, Handling Fees, and Transfer of Servicing Fees. Approximately 92 percent of Ginnie Mae's fee income is generated by its Guaranty and Commitment Fees that are paid by participating issuers.

Through a 1968 amendment to Title III of the National Housing Act, Ginnie Mae was established as a wholly-owned government corporation within HUD to promote access to mortgage credit throughout the nation. Ginnie Mae is administered by the Secretary of HUD and the President of Ginnie Mae, who are both appointed by the President of the United States and confirmed by the United States Senate.

Ginnie Mae serves the American public and the housing industry by helping to ensure a stable lending environment that leads to affordable rates and increased opportunities for more Americans to own their own homes. Ginnie Mae provides liquidity to the secondary mortgage market by attracting capital from the nation's capital markets into the residential mortgage markets. This activity helps to keep mortgage rates lower and to make more mortgages available.

From its dynamic beginning, Ginnie Mae emerged as the pioneer in the development of the Mortgage-Backed Securities (MBS) program. The MBS program provides a vehicle to efficiently and effectively generate capital by providing lenders with the liquidity to maintain a steady supply of credit available for housing. This availability of capital, backed by *the full faith and credit guaranty of the United States Government*, has directly contributed to the nation's record high homeownership.

Today, the mortgage finance industry faces challenges that demand creative leadership and innovative solutions. These challenges include competitive pressures that increase risks, industry consolidation, and the implications of new technology. Ginnie Mae helps the industry to meet these challenges and simultaneously supports HUD's goal of providing low-cost mortgage credit to traditionally underserved sectors of the housing market. Ginnie Mae's mission and goals, as well as its programs, products, and initiatives for Fiscal Year 2002, are described in the following pages.

II.

Mission, Philosophy, Corporate Goals, and Strategies

Mission

To expand affordable housing in America by linking global capital markets to the nation's housing markets.

Philosophy

Ginnie Mae will emphasize training and education of personnel combined with state-of-the-art technology to accomplish its Mission.

Corporate Goals

Ginnie Mae exists to improve affordable housing opportunities for low- and moderate-income American families. This opportunity - and the ability for all Americans to own homes - has increased in recent years, as more than two-thirds of American families have achieved homeownership. Ginnie Mae's vision of helping more Americans own their own homes has been captured in two overarching goals. These goals guide the organization, its activities, and the utilization of its resources, in focusing on tangible outcomes and results. The goals to which Ginnie Mae holds itself accountable are as follows:

Goal 1: To establish a leadership position in the efficiency, innovation, and performance of MBS.

Goal 2: Through proactive efforts, and high standards for accuracy and responsiveness, Ginnie Mae will provide its business partners with the finest service available.

Strategies

Ginnie Mae employs three strategies to achieve its corporate goals. They are:

- Improve market positioning.
- Reduce MBS costs.
- Enhance Ginnie Mae products.

III.

Organizational Structure

Ginnie Mae's organizational structure is unique in that it is a corporation inside the federal government. Ginnie Mae's business model is based on a centralized management concept resulting in a core of 75 lead employees who are supported by technical contractors.

The financial model of Ginnie Mae excludes the purchase of MBS for its own account, enabling Ginnie Mae to have no long-term debt.

Ginnie Mae's organizational structure focuses resources on mitigating and managing its business risks, provides improved customer services to issuers, and improves contractor oversight. Ginnie Mae works closely with a variety of public and private organizations, including other HUD offices, other federal agencies, and the mortgage banking industry.

The following is a brief description of Ginnie Mae's program offices as structured at the end of Fiscal Year 2002:

The Office of the President is headed by a President, who is appointed by the President of the United States, confirmed by the Senate and reports to the Secretary of HUD. This office directs the global development of policy and provides enterprise-wide oversight of all operational support related to Ginnie Mae's current and future business, and assures that organizational performance is consistent with established Departmental and organizational goals and objectives. The Executive Vice President (EVP), who as the Chief Operating Officer is responsible for managing the daily operations associated with the administration of the Ginnie Mae program, assists the President. The EVP has concurrent authority with the President of Ginnie Mae.

With the support of designated line staff, including a Senior Advisor, an Executive Assistant, and a Chief Economist, the Office of the President is responsible for providing advisory and analytical support on matters such as programmatic risk, economic analyses, policy development coordination, and international activities.

The Office of Management Operations is responsible for the development and implementation of enterprise management policies and procedures to assure the availability of all appropriate resources necessary to assist the program areas in achieving the mission of the organization, and to coordinate with all segments of the Department to secure these resources. These areas of management responsibility are carried out in three divisions: the Administrative Management Division, the Information Management Division, and the Procurement Management Division.

The Administrative Management Division is responsible for all human resource functions, facilities management, ongoing administrative matters, and the coordination of all Departmental management initiatives (e.g. resource planning and management, and commercial inventory of outsourced activities). In addition, the division is responsible for formulating, tracking, and coordinating with the Ginnie Mae Budget Officer, budget information for all administrative categories; developing internal policies for administering HUD policies and procedures related to staff development and training; performance planning and evaluation, leave, pay, travel, printing, procurement, records management, and space;

developing documentation for, and the acquisition of, furniture and office supplies; employee and labor relations activities; and other administrative functions as needed.

The Information Management Division develops and manages the policies and procedures of Ginnie Mae consistent with Chapter 35, Title 44, United States Code and the priorities of the Department, and maintains an information technology architecture that effectively supports Ginnie Mae's mission, vision, and business processes that operate in support of the Clinger-Cohen Act, the Information Technology Management Reform Act (ITMRA) and other information technology (IT) laws and regulations. Specifically, this group seeks to align Ginnie Mae user requirements for IT systems with the business processes that support Ginnie Mae's mission and goals, and assess IT efforts using capital planning and budgeting techniques. The division also ensures adequate interoperability, security, decreased redundancy of IT systems, and oversees the application and maintenance of standards by which Ginnie Mae would evaluate and acquire new systems.

The Procurement Management Division is responsible for developing and implementing internal policies and procedures, which ensure effective procurement planning and oversight while leveraging existing and future contracting activity through increased coordination. This division provides all of the technical support to the program areas in the identification of contracting vehicles to procure required services including advising on federal and departmental contracting procedures and requirements; preparing the required documentation to obtain the services; supporting the Government Technical Representative function and the Office of Finance in analyzing the financial aspects of the contracts such as cost overruns; assisting in the identification and management of contractor business relationships; and performing all coordination and interface with the Department's Office of the Chief Procurement Officer. In addition, this division implements the office's Small Business Plan and conducts regular training and update sessions for all Ginnie Mae employees to ensure timely, effective and efficient procurement management operations.

The Office of Program Operations manages the program operations associated with all Ginnie Mae programs, including Single Family, Manufactured Housing, Multifamily MBS programs, and Capital Markets programs. This office manages the day-to-day processing of pools, security issuance, payment of principal and interest, and the maintenance of the Ginnie Mae Mortgage-Backed Securities Guide.

The office has significant contract management responsibilities as it oversees the work performed by various contractors which support pool processing, transfer and paying agent responsibilities and quality control to ensure satisfactory execution of program requirements; directs and coordinates all improvements to Ginnie Mae's infrastructure that is used to process and settle Ginnie Mae securities and administer its programs; and, interfaces routinely with its contractors to guarantee accurate program reporting and database management. This office also works closely with the Bond Market Association, Depository Trust Clearing Corporation, and the Federal Reserve Bank on ongoing operational issues.

The Office of Capital Markets directs and manages all capital markets activities and administers the Ginnie Mae Multiclass Securities program, including, but not limited to, the Real Estate Mortgage Investment Conduit (REMIC) and Platinum Securities programs. This office directs and coordinates all activities to assist the investor community in creating and marketing existing and new securities that are designed to enhance the competitiveness of all Ginnie Mae securities and be of greater value to investors in the U.S. and foreign markets. The office also manages the collection of summary data of all multiclass transactions to satisfy annual reporting requirements to Congress and prepares and conducts presentations of periodic analyzes on the impact of the multiclass program on the Ginnie Mae, VA, and FHA programs' financial costs.

In addition, the office conceptualizes, develops, and manages new products as a result of market research; identifies budget and resource implications; prepares required regulations and operating procedures; and coordinates with other Ginnie Mae components to assure appropriate operational resources, infrastructure, and data management support. The office provides capital market policy guidance with respect to the valuation of all securities guaranteed by Ginnie Mae. It directs the monitoring of all contract activities used to administer the multiclass program.

Ginnie Mae account executives are available to help customers with all matters pertaining to Ginnie Mae programs. For assistance, account executives can be reached by calling the following numbers:

- Ginnie Mae Capital Markets (202) 401-8970
- Ginnie Mae Capital Markets – New York Office (212) 668-5180

The Office of Mortgage-Backed Securities (MBS) is responsible for the management and execution of the Single Family, Multifamily, and Manufactured Housing Ginnie Mae MBS programs. The office is responsible for establishing policies governing eligibility of securities issuers and the manner in which they perform their responsibilities in Ginnie Mae's programs. In addition, the office works collaboratively with the Office of Capital Markets to develop new single class MBS. These areas of responsibility are carried out in three divisions: the Single Family/Manufactured Housing Division, the Multifamily Division, and the MBS Monitoring Division. The office manages all contract resources related to MBS program oversight and monitoring.

The Single Family/Manufactured Housing Division has responsibility for the Single Family and Manufactured Housing MBS programs. This division has lead responsibility for representing Ginnie Mae in the residential mortgage lending community, marketing the Ginnie Mae programs, identifying and recruiting new issuers, and ensuring a satisfactory working relationship with program participants. The division is also responsible for identifying, evaluating, and approving new issuers; evaluating and approving commitment authority and transfers of servicing requests; resolving any questions or concerns regarding eligibility to participate as an issuer of single class securities; providing ongoing training for participants; providing instructions for issuers, contractors and/or Ginnie Mae staff related to the Single Family MBS programs; and coordinating closely with the Issuer Monitoring Division to use the results of its monitoring activities to effectively manage the programs.

Ginnie Mae account executives are available to help customers with all matters pertaining to Ginnie Mae programs. For assistance, account executives can be reached by calling the following numbers:

- Single Family MBS Issuers (202) 708-1535
- Manufactured Housing MBS Issuers (202) 708-1535
- Ginnie Mae Hotline (888) Ginnie4

The MBS Monitoring Division manages and undertakes a variety of risk monitoring activities to assure program compliance. This includes the utilization of established risk analysis to conduct and direct various levels of issuer field reviews and directing the use of appropriate compliance and/or enforcement tools where appropriate to mitigate any risk to Ginnie Mae. These activities include the oversight of all activities related to marketing and managing assets acquired by Ginnie Mae in the event of an issuer default; the establishment of policies and procedures and the designation of resources necessary to acquire the servicing rights of defaulted portfolios; and managing servicing of defaulted assets. The division participates in the development and review of policies and procedures for the Single Family, Manufactured Housing, and Multifamily MBS programs.

The Multifamily Division is primarily responsible for the Multifamily MBS program. This includes customer interaction and the execution and management of the Multifamily Ginnie Mae MBS program. The division is responsible for establishing policies governing eligibility and performance in the Multifamily MBS program. The office serves as Ginnie Mae's point of contact for dealing with issuers in all matters concerning their participation in Ginnie Mae's multifamily programs. It has responsibility for approving issuers to participate; providing ongoing customer support, guidance, and training to issuers during their program participation; and ensuring a satisfactory working relationship with program participants.

Ginnie Mae account executives are available to help customers with all matters pertaining to Ginnie Mae programs. For assistance, account executives can be reached by calling the following number:

- Multifamily MBS Issuers
  (202) 708-2043

The Office of Finance maintains all financial management and operational controls for Ginnie Mae, ensures compliance with the reporting requirements of the Federal Financial Managers' Integrity Act and the Chief Financial Officers Act; provides accounting and financial reporting services; manages the investment of Ginnie Mae funds; monitors the execution of the budget; and oversees the management of financial models, including performing econometric modeling and forecasting and the development of appropriate operational performance measures. It coordinates all internal audits, maintains necessary internal controls, manages and coordinates external audits, and minimizes financial risks to Ginnie Mae. Under the direction of the Office of Finance, sixteen reviews were conducted of Ginnie Mae's major contractors during Fiscal Year 2002. The Office of Finance is also the liaison between Ginnie Mae and HUD's Inspector General, Office of Management and Budget (OMB), General Accounting Office (GAO), the U.S. Department of the Treasury, and the U.S. Congress for budget, reporting, and/or audit matters. The Office of Finance works to strengthen financial and risk management throughout Ginnie Mae by evaluating and promoting effective internal controls in all core business areas, implementing financial procedures, and enhancing risk assessment and prevention methodologies. These functions are primarily carried out under three divisions: the Budget Division, the Controller's Division, and the Treasurer's Division.

The Budget Division is under the direction of the Budget Officer/Deputy Chief Financial Officer. The Budget Division reports directly to the Ginnie Mae Chief Financial Officer. This division is responsible for the formulation, preparation, and submission of the Ginnie Mae portion of the President of the United States' budget including the Congressional Justifications and the Pressbook. The Budget Officer interacts with HUD's Budget Office, OMB, GAO, and the U.S. Treasury on all budget matters. The division prepares the budget appendix submissions to the MAX System at OMB and coordinates budget statistical data and assumptions with Ginnie Mae. The budget staff prepares monthly outlay reports, and manages reports to OMB and the U.S. Department of the Treasury (SF 132 and SF 133). The budget staff is responsible for maintaining financial models and responds to all budget inquiries, including those from Congress, OMB, GAO, and HUD. This division is also responsible for monitoring GPRA performance and reporting of Ginnie Mae's accomplishment of its strategic and budget goals.

The Controller's Division, under the direction of the Controller, provides technical accounting management and financial reporting services to Ginnie Mae, HUD, U.S. Department of the Treasury, and OMB, including policies and controls, through financial systems that allow accounting, financial reporting, and program activities. The division also ensures that Ginnie Mae's policies and procedures adhere to Generally Accepted Accounting Principles (GAAP); maintains the general ledger; handles obligations, accruals, accounts payable, and cost allocations; issues monthly financial reports to Ginnie Mae; responds to inquiries about transactions appearing on the general ledger reports; coordinates Ginnie Mae compliance activities; and produces the Ginnie Mae annual financial statements.

The Treasurer's Division, under the direction of the Treasurer, is responsible for managing cash assets including receiving funds, disbursing funds, performing investment functions, preparing vouchers, and preparing daily cash sheets. The Treasurer's staff interacts with the U.S. Department of the Treasury, daily.

IV.

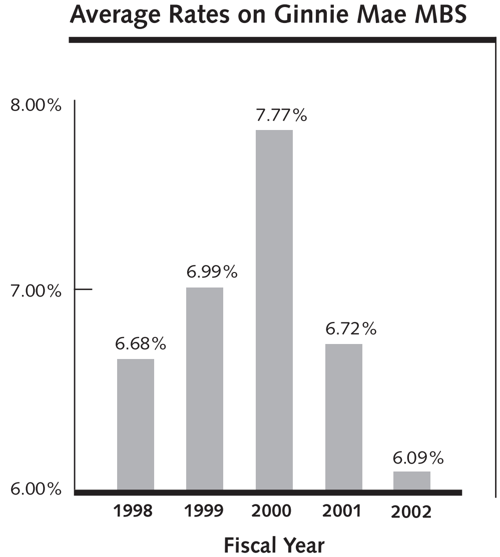
Selected Programs and Recent Initiatives

Selected Programs

MBS Program

Ginnie Mae's principal product is the MBS, the vehicle through which it helps to increase low- and moderate-income homeownership in America. Ginnie Mae MBS are created when mortgage loans are pooled by approved issuers. Commonly referred to as "pass-through" certificates, these MBS entitle an investor to an undivided interest in the underlying mortgage loan pool. Thus, an investor receives a pro rata share of the interest (net of servicing and guaranty fees) and principal on the underlying mortgage loans. Through its MBS program, Ginnie Mae increases the liquidity and efficiency of mortgage loan funding, making more capital available to low- and moderate-income homeowners at competitive interest rates. Chart 1 represents the average rates on Ginnie Mae MBS originated during the past five years:

Chart 1.
Average Rates on Ginnie Mae MBS



Ginnie Mae I MBS

Ginnie Mae I MBS are securities based on single-issuer pools and are Ginnie Mae's most heavily traded product. The underlying mortgages generally have the same or similar maturities and the same interest rate. Single family Ginnie Mae I pools have a 50 basis point (0.5 percent) guaranty and servicing fee. Ginnie Mae I payments are made to holders on the 15th day of each month.

The securitization provisions are established in the Ginnie Mae MBS guide (Ginnie Mae Handbook 5500.3). The Handbook can be found on Ginnie Mae's website, at *www.ginniemae.gov*.

Ginnie Mae II MBS

Ginnie Mae II MBS securities have been a useful tool for "pipeline management" for our issuers, and provide them with additional flexibility and liquidity. For example, these securities permit greater flexibility with respect to loan characteristics. Coupon rates on the underlying mortgages can vary between 50 and 150 basis points above the interest rate on the pool.

Both multiple-issuer and single-issuer pools are permitted in these securities. The Ginnie Mae II MBS also allow smaller issuers who do not meet the minimum dollar pool requirements of the Ginnie Mae I MBS to participate in the secondary mortgage market. The Ginnie Mae II MBS have a central paying and transfer agent which collects payments from all issuers and makes one consolidated payment each month to each security holder. Ginnie Mae II MBS pay on the 20th day of each month.

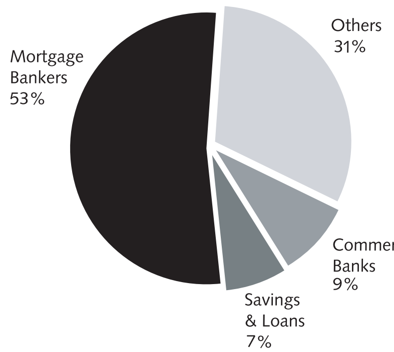
An issuer may participate in the Ginnie Mae II MBS either by issuing custom, single-issuer pools or multiple-issuer pools. A custom pool has a single issuer which originates and administers the entire pool. A multiple issuer pool typically combines loans with similar characteristics. The resulting pool backs a single MBS issue and each participant is responsible for administering the mortgage loans which contribute to the pool. The securitization provisions are established in the Ginnie Mae MBS guide (Ginnie Mae Handbook 5500.3), which may be found on Ginnie Mae's website at *www.ginniemae.gov*.

MBS Highlights and Trends

Ginnie Mae issued $178.9 billion in new MBS commitment authority in Fiscal Year 2002, a 10.6 percent increase from Fiscal Year 2001. This increase was fueled by the continued decline in interest rates, which fueled mortgage refinances and originations, and encouraged the proliferation of independent mortgage brokers. This growth in non-bank affiliated mortgage conduits can be seen in Chart 2, which indicates that "other" non-banking MBS participants accounted for 31 percent of the market in Fiscal Year 2002. This is a 6.9 percent increase from 29 percent participation in the previous year. Ginnie Mae guaranteed $174.9 billion of MBS during Fiscal Year 2002, representing an increase of 13.7 percent from the prior year. This development reflects a sharp increase in secondary mortgage market activity due to falling interest rates throughout 2002.

Of the $174.9 billion of MBS guaranteed, over $168.5 billion was backed by single family mortgages, $6.2 billion was backed by multifamily construction and project loans, and $140 million was backed by manufacturing housing loans.

Chart 2.
MBS Program Participants



Delinquency ratios for the MBS pooled mortgages decreased in the Single Family and Multifamily programs and increased in the Manufactured Housing program when compared to the previous fiscal year. Ginnie Mae continues to monitor issuers through the Ginnie Mae Portfolio Analysis Database System (GPADS) for unusual fluctuations in portfolio delinquency rates. From Fiscal Year End 2001 to Fiscal Year End 2002, the three-month delinquency rate in the Single Family program decreased from 1.65 percent to 1.06 percent. The three-month delinquency rate in the Manufactured Housing program increased from 6.57 percent to 7.42 percent. The two-month delinquency rate in the Multifamily program decreased from 1.30 percent to 1.21 percent.

Asset Management

At September 30, 2002, Ginnie Mae held $300 million in single family mortgage assets as a result of previous defaults by issuers. There were no asset acquisitions due to defaults in fiscal year 2002. Ginnie Mae's single family portfolio decreased by $94 million, a 24 percent reduction from fiscal year 2001.

Table 1 below details the issuer defaults:

Table 1. Issuer Defaults by Program Type and Fiscal Year — in Millions

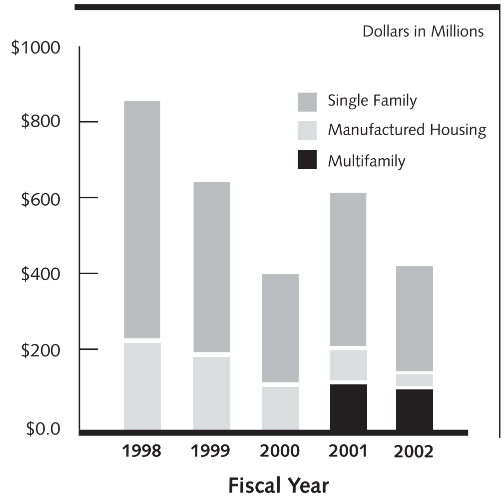
Program Type	2002	2001	2000	1999	1998
Single Family	$ -	$160.2	$ 52.1	$108.0	$ 8.3
Multifamily	-	123.7	0.7	-	-
Manufactured Housing	-	-	-	0.3	0.3
Total	$ -	$283.9	$ 52.8	$108.3	$ 8.6

During Fiscal Year 2002, there were no multifamily issuer defaults, compared to one default totaling a principal balance of $123.7 million in Fiscal Year 2001. Overall, the acquired multifamily portfolio represents 0.37 percent of the total multifamily remaining principal balance outstanding for the Ginnie Mae MBS program.

At the end of fiscal year 2002, Ginnie Mae had a manufactured housing portfolio of $49 million, compared to $62 million at the end of fiscal year 2001. Ginnie Mae did not acquire any manufactured housing portfolios during either fiscal year 2002 or fiscal year 2001. The acquired manufactured housing portfolio was reduced by $13 million, a 21 percent reduction from fiscal year 2001.

Chart 3 describes the composition of Ginnie Mae's defaulted portfolio, for single family, manufactured and multifamily housing for fiscal years 1998 through 2002:

Chart 3.
Management of Defaulted Portfolio

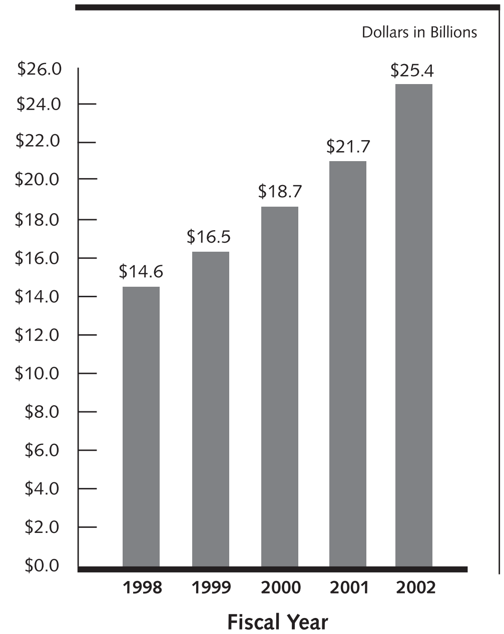


Multifamily Programs

Outstanding securities in the multifamily program increased in Fiscal Year 2002 by 16.6 percent to a record $25.4 billion outstanding at September 30, 2002. Since the inception of the Multifamily MBS program, Ginnie Mae has guaranteed the issuance of approximately $56 billion in multifamily securities. Overall, the ratio of delinquent multifamily loans in Ginnie Mae multifamily pools represents 1.21 percent compared to 1.30 percent in Fiscal Year 2001.

Multifamily Remaining Principal Balance (RPB) has grown 75 percent over the last five years. Chart 4 below represents the growth of the Multifamily MBS outstanding program:

Chart 4.
Multifamily MBS Outstanding



Multiclass Products

Ginnie Mae provided safe harbor to investors during Fiscal Year 2002, as investors in mortgage-backed securities recognized the value of the guaranteed *full faith and credit of the United States Government*.

Multiclass securities activities are divided into its principal product segments: Real Estate Mortgage Investment Conduit (REMIC) Securities and Platinum Securities. The multiclass securities area administers a wide variety of securitized transactions in the MBS sector. The multiclass securities business generated record REMIC transaction volume – at 191 percent higher than Fiscal Year 2001 – as Ginnie Mae capitalized on lower interest rates, increased volatility in the equity markets, and strong investor demand. Fiscal Year 2002 produced the highest transaction volume and number of transactions in the history of the multiclass securities program. Ginnie Mae guaranteed 86 REMIC transactions in Fiscal Year 2002, totaling $75.1 billion, up substantially from 55 REMIC transactions totaling $25.8 billion in 2001. Ginnie Mae also continued to build a strong position in REMIC issuance on a global basis by continuing to offer the flexibility of the modifiable and exchangeable (MX) option to its REMIC sponsor group. Investors have the option to exchange REMIC securities for MX securities that more closely match their investment requirements. As a result of the increased volume of REMICs, total REMIC fee income increased 149 percent over the prior fiscal year.

The Ginnie Mae Platinum transaction volume in Fiscal Year 2002 improved upon the previous record in Fiscal Year 2001. The Platinum product line provides customers the ability to trade a group of small pools for one large pool. Platinum transactions increased 15 percent to $47.8 billion. Total Cash Platinum fees jumped 23 percent in Fiscal Year 2002 over 2001's performance.

Recent Initiatives

In response to the rapidly changing mortgage finance market, Ginnie Mae has increased its efforts to bring new products to the marketplace. Through leadership in the mortgage markets, Ginnie Mae seeks to offer its customers the highest quality advice, service, and securities transactions. Ginnie Mae's objective is to gradually shift its business mix to increase the number of product sponsors and the stability of volume growth. Ginnie Mae will continue to introduce new lines and expand existing products to attract and retain customers and meet its mission. Examples of Ginnie Mae's recent initiatives follow:

Settlement of Ginnie Mae Securities Through the Federal Reserve

On March 23, 2002, Ginnie Mae and its business partners successfully converted all Ginnie Mae I and Ginnie Mae II Mortgage-Backed Securities (MBS), Ginnie Mae REMICs, Ginnie Mae Platinums, and serial notes from the Depository Trust & Clearing Corporation (DTCC) to the Federal Reserve. The effort was the largest securities depository conversion Wall Street had ever experienced and was accomplished with no service interruptions.

Improvements that have been achieved by having Ginnie Mae securities settle through the Federal Reserve include the following:

- The settlement of Ginnie Mae securities takes place no later than the end of day two compared to the morning of day three. This has resulted in lower financing costs for issuers.
- Migrating the payments to beneficial holders of Ginnie Mae I securities held in depository form on the 15th day of the month instead of the 16th day of the month (assumes the 15th day of the month is a business day) improves the pricing of Ginnie Mae securities.
- Ginnie Mae I Automatic Clearing House (ACH) Debit eliminates any differences between what issuers report to be paid to security holders versus the payment to the Federal Reserve. This improvement provides more certainty to the mortgage-backed securities market, favoring the pricing of Ginnie Mae securities.
- Ginnie Mae securities are more attractive to foreign investors creating a higher demand for Ginnie Mae securities, leading to better pricing.
- All mortgage-backed securities are held in book entry form at the Federal Reserve which provides for economies of scale with respect to depository fees, resulting in lower transaction costs.
- Investors of Ginnie Mae serial note securities have greater flexibility in that they now have the option to either hold

the serial note security at the pool level or break out the pool into individual serial note units of $25,000 for repo transactions or trading purposes.

New Standards for Reporting Loan Information Improvement

Ginnie Mae has successfully implemented a standard format that issuers must follow when reporting case number/loan number information on FHA, VA, RHS, and HUD PIH insured/guaranteed loans to Ginnie Mae. This achievement has helped Ginnie Mae to streamline the reporting process for all its business applications reducing the number of erroneous case numbers/loan numbers submitted to Ginnie Mae.

Targeted Lending Initiative

Ginnie Mae's Targeted Lending Initiative (TLI) was implemented to help raise homeownership levels in central city areas, including Rural Empowerment Zones and Rural Enterprise Communities. The Initiative has been expanded to include Indian lands, new Urban Empowerment Zones, and new Urban Enterprise Communities. A listing of the targeted areas and the census tracts may be accessed on Ginnie Mae's website, at *www.ginniemae.gov*. This program provides financial incentives for lenders to increase loan volumes in traditionally underserved areas. By increasing lender activity in these targeted areas, Ginnie Mae provides underserved families and households with increased opportunities to achieve homeownership. In six years of operation (October 1, 1996 - September 30, 2002), the TLI has issued $30.1 billion in securities, representing 218,954 targeted lending loans with a mortgage originated amount of $21.8 billion in 13,751 pools.

Under the TLI, Ginnie Mae reduces its guaranty fee by up to 50 percent when approved issuers originate (or purchase) eligible home mortgage loans in designated communities and place them in Ginnie Mae pools. The Ginnie Mae guaranty fee may be reduced by 1 to 3 basis points on a pool, depending on the percentage of unpaid principal balance of eligible FHA-insured and VA-guaranteed loans in the pool. Issuers may combine these newly eligible loans with other targeted lending single family loans, other than manufactured housing loans, to meet the previously established targeted lending thresholds.

All Ginnie Mae single family issuers may participate in the TLI. Once a Ginnie Mae issuer has originated or purchased eligible loans, the issuer merely submits the pool package through Ginnie Mae's GinnieNET delivery system. Issuers will receive a confirmation from Ginnie Mae of their reduced guaranty fee, as applicable.

Native American Home Loan Guarantee Program

HUD's Native American Home Loan Guarantee program (Section 184), administered by the Office of Public and Indian Housing, provides Native Americans with an effective vehicle for obtaining mortgage financing. This program offers a 100 percent federal loan guarantee to lenders, which Ginnie Mae supports by providing for the eligibility of Section 184 loans for pooling into single family Ginnie Mae I and Ginnie Mae II pools. Section 184 loans must be processed through GinnieNET and guaranteed by the Office of Public and Indian Housing.

Section 184 loans offer the mortgage community (lenders and issuers) a secure means to establish solid relationships with underserved Native American families and communities and, in addition, serve as a product for use with Community Reinvestment Act (CRA) lending programs.

Soldiers' and Sailors' Civil Relief Act

The Soldiers' and Sailors' Civil Relief Act (SSCRA) of 1940 provides reimbursement to issuers who have lost money by providing relief to military personnel during a qualifying military effort. In response to the events of September 11, 2001, Ginnie Mae developed an assistance plan that included reimbursing issuers for interest shortfalls on loans made to persons who later enter military service, and to reservists and members of the National Guard called to duty. Provisions of the SSCRA permit a maximum interest rate of six percent on the mortgage debt incurred before entry into military service. Issuers must lower the interest rate to six percent during the borrower's active duty. Upon the release of the borrower from active duty, the mortgage interest rate returns to the original contract rate, or the current rate, where applicable. Persons in the military service eligible for relief include all members of the Army, Navy, Marine Corps, Air Force, Coast Guard, and Public Health Officers detailed to the Army or Navy. Mortgage debts incurred by members of the Armed Forces reserves are considered debts incurred prior to entry into military service, and are eligible for rate reduction when a reservist or National Guard member is ordered to active military service.

View of the Future

During Fiscal Year 2003, Ginnie Mae will continue to facilitate increased homeownership in urban areas through the success of its programs. Such efforts will be in addition to continued improvements in customer service and new product innovation.

Ginnie Mae will develop and implement policies and procedures that improve program efficiency and customer service. Through new product offerings and reductions in guaranty fees, Ginnie Mae continually strives to make its programs attractive to investors in the capital markets. Additionally, Ginnie Mae continues to make organizational improvements in its business through internal and external reviews of its operations and managing the corporation as a results-oriented, customer driven organization. These efforts will continue to strengthen Ginnie Mae's program and financial position and ensure its ability to meet its mission.

Moreover, in Fiscal Year 2003, management's priorities will include making greater use of information technology to improve processes and products, enhancing services to clients, and strengthening other ways Ginnie Mae does business. Ginnie Mae will endeavor to face the challenges of the future with confidence, and with innovative solutions and products, while striving to serve its vital role in the provision of mortgage credit for low- and moderate-income American families.

V.

Management's Discussion and Analysis of Financial Position and Results of Operations

Financial Highlights of 2002

Fiscal Year 2002 was marked by a decrease in revenue and a more significant increase in assets. While assets increased, revenues related to interest income decreased as a result of the low interest rate environment. Ginnie Mae had a net income of $794.3 million, a 1 percent decrease from $805.3 million in Fiscal Year 2001. Revenues decreased by 3.1 percent, to $851.1 million from $878.5 million in Fiscal Year 2001, and total assets increased 10.3 percent, to $9.6 billion from $8.7 billion in Fiscal Year 2001.

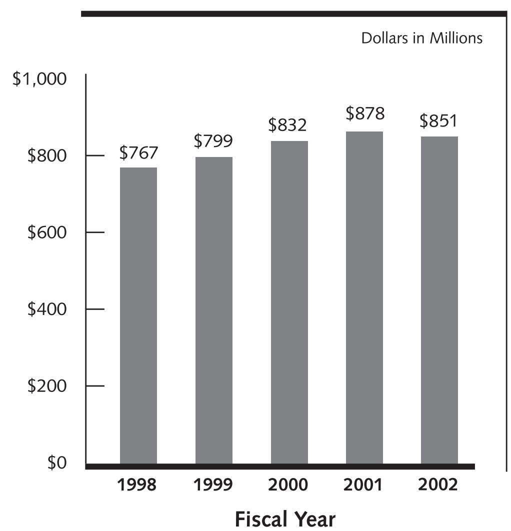
Ginnie Mae provided the market with important services and contributed to a stable environment. The outstanding MBS portfolio increased, which generated increased guaranty and commitment fee revenues. In Fiscal Year 2002, MBS program income rose to $446 million from $438.7 million in Fiscal Year 2001. Total expenses as a percentage of total revenues increased from 5.6 percent in Fiscal Year 2001 to 6.7 percent in Fiscal Year 2002.

Ginnie Mae issued $178.9 billion in commitment authority in Fiscal Year 2002, a 10.6 percent increase from Fiscal Year 2001. The $174.9 billion of MBS issued in Fiscal Year 2002 represented a 13.7 percent increase in MBS issued from Fiscal Year 2001. The outstanding MBS balance at the end of Fiscal Year 2002 was $568.4 billion, compared to $604.3 billion the previous year because repayments exceeded new issuances. Fiscal Year 2002 production provided the capital to finance the purchase or refinance of homes for approximately 1.5 million American families.

Ginnie Mae's financial performance moderated during Fiscal Year 2002 with a decline in revenue in comparison to Fiscal Year 2001. Excess revenues over expenses are invested in U.S. Government securities. To date, Ginnie Mae's earnings and fund balance have provided the capital to finance its operations and, as a result, Ginnie Mae has not needed to obtain funds through federal appropriations.

Chart 5 illustrates Ginnie Mae's revenue in the past five years:

Chart 5.
Revenue



To assist readers in understanding Ginnie Mae's recent financial history, Table 2 below provides three year financial highlights of the corporation:

Table 2. THREE-YEAR FINANCIAL HIGHLIGHTS

September 30,	2002	2001	2000
(Dollars in thousands)			
Balance Sheets and Liquidity Analysis			
Funds with U.S. Treasury	$ 2,509,100	$ 2,043,000	$ 1,617,600
U.S. Government Securities	$ 6,935,200	$ 6,557,100	$ 6,171,000
Total Assets	$ 9,554,600	$ 8,739,300	$ 7,919,200
Total Liabilities	$ 636,100	$ 615,100	$ 600,300
Investment of U.S. Government	$ 8,918,500	$ 8,124,200	$ 7,318,900
Total RPB Outstanding (1)	$568,351,015	$604,308,600	$603,471,487
LLR (2) and Investment of U.S. Government	$ 9,457,200	$ 8,659,700	$ 7,852,200
Investment of U.S. Government as a percentage of Average Total Assets	97.50%	97.54%	97.00%
LLR and Investment of U.S. Government as a percentage of RPB	1.66%	1.43%	1.30%
Capital Adequacy Ratio (3)	1.64%	1.41%	1.28%
Statements of Revenues and Expenses & Profitability Ratios Years ended September 30,			
MBS Program Income	$ 446,000	$ 438,700	$ 408,200
Interest Income	$ 398,900	$ 430,300	$ 415,800
Revenues	$ 851,100	$ 878,500	$ 832,000
MBS Program Expenses	$ 45,600	$ 40,100	$ 37,900
Administrative and Other Expenses	$ 9,300	$ 9,300	$ 9,300
Provision for Loss	$ -	$ 23,800	$ 22,000
Total Expenses	$ 56,800	$ 49,400	$ 47,200
Excess of Revenues over Expenses	$ 794,300	$ 805,300	$ 762,800
Total Expense as a percentage of Average RPB	0.0097%	0.0082%	0.0078%
Provision for Loss as a percentage of Average RPB	-	0.0039%	0.0038%

(1) Remaining Principal Balance (RPB) of Ginnie Mae MBS, includes $122 million of GNMA Guaranteed Bonds
(2) Loan Loss Reserve (LLR)
(3) Investment of U.S. Government plus Loan Loss Reserve divided by the sum of Total Assets and Remaining Principal Balance

Results of Operations

The following discussion is intended to provide information that is relevant to an assessment and understanding of Ginnie Mae's financial condition and results of operations. The discussion should be read in conjunction with the financial statements and notes thereto. Ginnie Mae's operating results are subject to fluctuation each year depending on the frequency and severity of losses resulting from general economic conditions, mortgage market conditions, and terminating issuers.

MBS Program Income

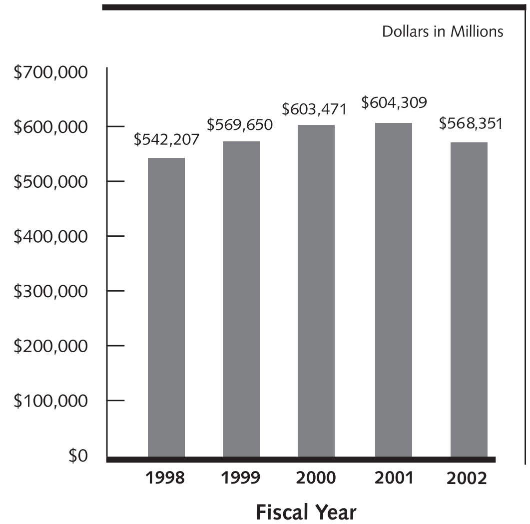
MBS program income includes Guaranty Fees, New Issuer Fees, Commitment Fees, Handling Fees, and Transfer of Servicing Fees. Guaranty Fees and Commitment Fees comprise approximately 92 percent of total MBS program revenues. Guaranty Fees represent income streams earned by providing Ginnie Mae's guaranty of *the full faith and credit of the United States Government* to MBS issuers. These income streams are recognized over the life of the outstanding mortgage-backed securities. Commitment Fees represent income that Ginnie Mae earns for providing approved issuers with authority to pool mortgages into Ginnie Mae mortgage-backed securities.

Commitment Fees increased 7.9 percent from $32.9 million in Fiscal Year 2001 to $35.5 million in Fiscal Year 2002. This increase resulted from a surge in MBS issuance activity. New commitments issued by Ginnie Mae amounted to $178.9 billion during Fiscal Year 2002, a 10.6 percent increase from Fiscal Year 2001.

Steady growth in the MBS portfolio was responsible for the increase in MBS program income. MBS Guaranty Fees decreased 1.7 percent to $376.5 million in Fiscal Year 2002 from $382.9 million in Fiscal Year 2001. The Guaranty Fees are collected on the aggregate principal balance of the guaranteed securities outstanding of the non-defaulted issuer portfolio.

Chart 6 below represents the remaining principal balance outstanding of the MBS portfolio as of September 30:

**Chart 6.
Remaining Principal Balance Outstanding of the MBS Portfolio**



Interest Income

Ginnie Mae funds its investment portfolio through its excess revenues over expenses. Typically, interest income has steadily increased in prior years. For Fiscal Year 2002, interest income decreased 7.3 percent to $398.9 million from $430.3 million in Fiscal Year 2001. This decrease was directly related to a much lower prevailing interest rate throughout Fiscal Year 2002. Ginnie Mae invests the excess of its accumulated revenues over expenses only in U.S. Government securities, as mandated by the U.S. Department of the Treasury. However, the interest rate of return has continually decreased and, therefore, the revenue generated as a percentage of income continues to decline.

Multiclass Revenues

Multiclass revenue is part of the MBS program revenues and is composed of REMIC and Platinum program fees. Miscellaneous income, also a component of the MBS program revenues, is earned from the Ginnie Mae II portfolio. Ginnie Mae issued approximately $47.8 billion in Platinum products in Fiscal

Year 2002. Total cash fees for Platinum securities amounted to $21.8 million, representing a 23 percent increase in fee income from the previous year. Guaranty fees from REMIC securities amounted to $23.2 million on $75.1 billion in issuance for those products, representing an increase of 149 percent in fee income. Ginnie Mae recognizes a portion of the REMIC, Callable Trust, and Platinum program fees in the period the fees are received, with the balance deferred and amortized as Other Income over the remaining life of the financial investment.

In Fiscal Year 2002, Ginnie Mae issued a total of $122.9 billion in its multiclass securities (REMICs and Platinums) program. The estimated outstanding balance of multiclass securities included in the total MBS securities balance at September 30, 2002, was $214.4 billion.

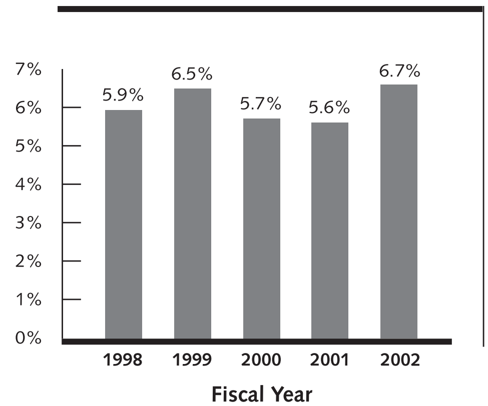
MBS Program and Administrative Expenses

MBS program and administrative expenses are incurred to carry out Ginnie Mae's programs and initiatives. These costs include contractor services, personnel, compensation, printing, and other administrative functions. MBS program and administrative expenses increased from $49.4 million in Fiscal Year 2001 to $56.8 million in Fiscal Year 2002, representing an increase of 15 percent.

The increase in expenses is attributable to normal expenses for managing its program activities. Expenses as a percentage of total revenues have ranged over the last five years from 5.6 percent to 6.7 percent. Additionally, MBS program and administrative expenses as a percentage of average RPB grew slightly over the last five years from 0.0085 percent to 0.0097 percent.

Chart 7 depicts MBS program and administrative expenses as a percentage of gross revenues:

Chart 7.
Expenses as a Percentage of Gross Revenues



Credit Related Expenses

Credit related expenses include Ginnie Mae's Provision for Loss and defaulted issuer portfolio costs. The Provision for Loss is charged against income in an amount considered appropriate to maintain reserves for losses at levels management determines adequate to absorb potential losses from defaulted issuer portfolios and program losses. Based on management's assessment of reserve adequacy, no Provision for Loss was made in Fiscal Year 2002. A Provision for Loss was made in Fiscal Year 2001 for $23.8 million.

Financial Models

Ginnie Mae's Policy and Financial Analysis Model (PFAM) is a comprehensive model that allows Ginnie Mae to evaluate its financial condition, in terms of cash flows, capital resource adequacy, and budget projections, under an array of economic and financial scenarios, modified by policy or programmatic decisions. The PFAM incorporates Ginnie Mae's inherent operations-based risks with modeling that employs economic, financial, and policy variables to generate output that assesses these risks and overall performance.

The information from PFAM supports Ginnie Mae management in key financial decisions such as allocating reserves against future losses. This model also aids the preparation of Ginnie Mae's budget through the estimation of the credit subsidy rate for each of Ginnie Mae's programs.

The PFAM was redesigned during Fiscal Year 2001, a process that culminated in the release of PFAM 2.0, the first comprehensive redesign of the model since its initial development in 1992. A well designed and self-documenting Oracle database supports the model and streamlines the process of data updates while reducing turnaround time. This relational database is also a vital feature because it enables expanded reporting capabilities such as drill-down graphs and charts, and grants the user meaningful access to the wealth of data available in the model.

PFAM 2.0 also employs a secure web-enabled interface, making it easier for authorized users to access the model, while eliminating the need to install and update customized hardware and software on individual users' terminals.

During Fiscal Year 2002, the PFAM 2.0 was formally accepted by the Office of Management and Budget, and the original PFAM was permanently retired. In addition, improvements were made to the functionality and performance of the model, which was re-released as PFAM 2.1. Enhancements relative to the original redesigned model include a new enhanced demand model feature that allows a user to overwrite the model's forecasts of future FHA and VA mortgage volumes with user input assumptions. Functionality was also added to allow for easier modification of certain groups of similar input assumptions through the "major drivers" feature. The model was made more flexible through the incorporation of options on the website that allow the user to overwrite the model's forecasted single family loan prepayment estimates with historical average prepayment rates and to analyze the impact on Ginnie Mae's performance if no new securities were guaranteed after a future year specified by the user. Finally, the budget model was extensively revised during the last year to be more user-friendly and allow for easier error-checking and version control.

As is done each year, Ginnie Mae worked with FHA and VA to obtain the most current and comprehensive loan level data. This data supported detailed segmentation of loans according to key risk indicators, including loan type, loan size, loan-to-value ratio, and region, enabling Ginnie Mae to map the current risk profile of the collateral supporting its guaranteed mortgage-backed securities.

Ginnie Mae obtained the most current economic forecast, as well as a range of alternative scenarios to support Ginnie Mae's use of stress testing in risk management and capital adequacy demonstration. Policy forecasts were updated in coordination with key professionals and documentation from Ginnie Mae, FHA, and VA.

Liquidity

Ginnie Mae's role in supporting expanded affordable housing in America through secondary market vehicles is ongoing through the use of the guaranty of *the full faith and credit of the United States Government.* Liquid assets further Ginnie Mae's initiatives, and these needs are driven by the development of new secondary market vehicles, the timely payment of pass-throughs to security holders, and general operations. Through successful cash management, program management, and commitment to cost containment, *Ginnie Mae has not been required to obtain appropriations or other debt financing services.*

Table 3 below describes the composition and maturity of Ginnie Mae's Treasury securities at September 30:

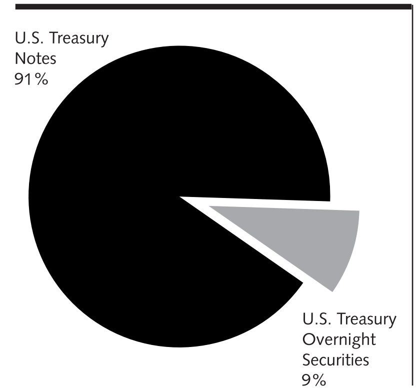
Table 3. Composition of Treasury Securities (Percent of Total)		
Maturity	2002	2001
Due within 1 year	29%	49%
Due after 1-5 years	42%	43%
Due after 5-10 years	29%	8%

Ginnie Mae's primary sources of cash are MBS and Multiclass Guaranty Fee Income, Commitment Fee Income, and Interest Income. After accounting for expenses and other factors, on September 30, 2002, Ginnie Mae reported funds in the U.S. Treasury of \$2.51 billion compared with \$2.04 billion on September 30, 2001. The increase in funds in the U.S. Treasury is influenced by the Credit Reform Act of 1990. This act requires that Ginnie Mae segregate funds held with the U.S. Treasury between Liquidating and Financing accounts. Funds received from activity originating prior to Fiscal Year 1991 are accounted for in the Liquidating accounts, while funds received from MBS fees for activity originating after Fiscal Year 1991 are maintained in the Financing accounts. For credit reform purposes, funds in the Financing account are deposited into an interest bearing account with the U.S. Treasury.

In addition to the funds in the U.S. Treasury, Ginnie Mae's investments totaled \$6.94 billion, compared with \$6.56 billion in the prior year. Of the \$6.94 billion investment balance at September 30, 2002, \$592 million was held in overnight certificates. The balance of the portfolio's maturities are spread over time to ensure that Ginnie Mae has a ready source of funds to meet various liquidity needs. Emergency liquidity needs are met through short-term maturities.

Chart 8 below illustrates the components of Ginnie Mae's Investments in U.S. Government Securities at September 30, 2002:

Chart 8.
Components of Investment in U.S. Government Securities



Capital Adequacy

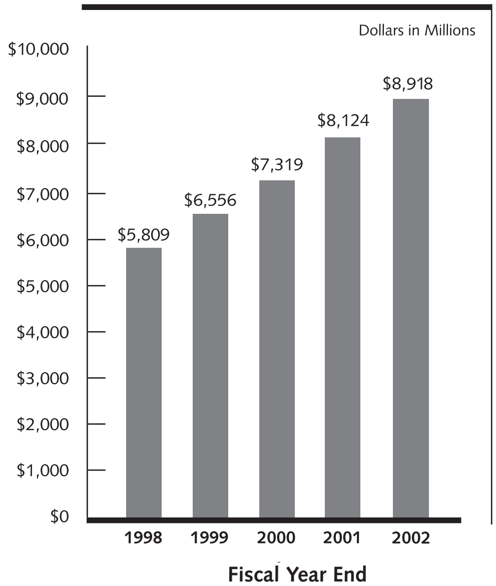
Ginnie Mae's activities involving the guaranty of MBS have historically operated at a profit. Ginnie Mae has never had to exercise its authority to borrow funds from the U.S. Treasury to finance its operations. Ginnie Mae's net income continues to build and strengthen the Corporation's capital base and programs. Ginnie Mae believes it maintains adequate capital to withstand downturns in the housing market that could cause severe issuer defaults. Ginnie Mae's capital is backed by *the full faith and credit guaranty of the United States Government.*

As of September 30, 2002, Ginnie Mae had an Investment of U.S. Government balance of \$8.9 billion after establishing reserves for losses on its credit activities, compared with \$8.1 billion as of September 30, 2001. Ginnie Mae's net earnings are used to build reserves which it believes to be sound. Over the past three years, Ginnie Mae has increased its capital adequacy ratio (Investment of U.S. Government plus loan loss reserve as a percentage of total assets and RPB) from 1.41 percent to 1.64 percent. To assess the strength of its capital position, Ginnie Mae uses a "stress test" methodology that measures

Ginnie Mae's ability to withstand severe economic conditions.

Chart 9 below describes Ginnie Mae's Capital Reserves (Investment of U.S. Government) at September 30 for the last five years:

Chart 9.
Capital Reserves
(Investment of U.S. Government)



Risk Management

Ginnie Mae continues to enhance its automated systems and business processes to increase the efficiency of its operations and to reduce its business risk. During Fiscal Year 2002, Ginnie Mae continued periodic reviews of all master subservicers and major contractors to assure compliance with the terms and conditions of their contracts with Ginnie Mae. Additionally, the audits and reviews provided Ginnie Mae with a mechanism for continuing to strengthen its internal controls and minimize risks.

Compliance with the CFO Act

Ginnie Mae has prepared a separate management report in compliance with the Chief Financial Officers Act of 1990 that contains detailed information. It is available upon request from the Ginnie Mae Office of Finance at (202) 401-2064.